

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: MARK ROGERS

DATE: AUGUST 17, 2016

**SUBJECT: AVISTA ADVICE NO. 16-02-E; RESIDENTIAL AND FARM ENERGY
RATE ADJUSTMENT CREDIT**

On July 29, 2016, Avista Corporation ("Avista") filed a Tariff Advice with the Commission to revise its Tariff Schedule 59 Residential and Farm Energy Rate Adjustment. In this Tariff Advice, Avista proposes that the rate credit be increased from the existing 0.021¢ per kWh to 0.060¢ per kWh to be effective October 1, 2016.

BACKGROUND

This rate credit is designed to pass through to qualifying customers the Residential Exchange Program (REP) benefits Avista receives from the Bonneville Power Administration (BPA). The REP was designed to allow residential and farm customers of Investor Owned Utilities (IOUs) in the northwest to share in the benefits of the Federal Columbia River Power System. Avista passes these benefits to its qualifying customers through a rate credit on monthly electric bills. The rate credit applies to residential and farm customers served under Schedules 1, 12, 22, 32, and 48.

The BPA calculates the total amount of REP benefits every two years in conjunction with a BPA rate case. The REP benefits for each IOU was updated in 2015, and will remain in place until the rate is recalculated in the BPA's 2017 rate case. As REP benefits will not change until 2017, this Tariff Advice does not impact the FY 2016-2017 REP benefits, rather, it only trues-up the under-refunded balance in the Idaho Residential Exchange Account due to the size and timing of when Avista received its final two 2015 REP benefit payments.

THE TARIFF ADVICE

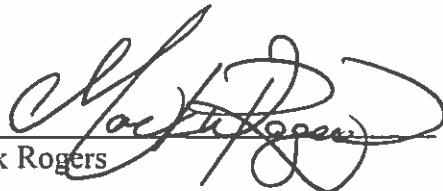
Avista submits monthly invoices to the BPA for REP benefits; however, the credits received by Avista from the BPA are subject to a two month lag. In October and November of 2015 (billed in August and September), Avista received benefit amounts of \$184,570 and \$182,460. These payments were the last two payments for the Company's FY 2014-2015 benefits. Given the two month lag, the payments were received after the October 1, 2015 start of the new FY 2015-2016 rate. Because the 2015-2016 REP benefit amount was reduced substantially from the previous period, these two payments created an under-refunded balance that was not fully credited to customers. Consequently, the Company proposes to credit customers during FY 2016-2017, before the new REP benefits are calculated in 2017.

STAFF ANALYSIS

In review of the Company's Advice and supporting work papers, Staff finds the proposed rate adjustment reasonable. As it stands, the total proposed rate decrease equates to \$474,768. This includes the under-refunded balance from the timing of the two REP benefit payments, as well as an under-refunded balance that has been occurring in the account since October 1, 2015. The resulting credit will be refunded to customers at a rate of \$0.039¢ per kWh. This, combined with the current BPA rate of \$0.021¢ per kWh, results in a total Residential and Small Farm Energy Rate Adjustment of \$0.060¢ per kWh. Staff notes that true-up's to the Residential Exchange Account are typically done every two years in conjunction with a BPA rate case, and true-up's between BPA rate adjustments are rare. However, given the large change that occurred between the previous rate and the current rate, Staff believes the true-up is warranted. Staff recommends approving the Company's proposed Tariff Schedule 59 rate adjustment as filed.

COMMISSION DECISION

Does the Commission wish to approve Avista's proposed change to its Tariff Schedule 59 Residential and Farm Energy Rate Adjustment from the existing credit of 0.021¢ per kWh to 0.060¢ per kWh October 1, 2016?


Mark Rogers